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MALONEY CHALLENGES SUPPLY-SIDE ECONOMICS AT JOINT ECONOMIC COMMITTEE HEARING

WASHINGTON – At today’s hearing of the U.S. Congress Joint Economic Committee (JEC), [Ranking Democrat Carolyn B. Maloney](#) (D-NY) and witness [Dr. Jared Bernstein](#), Senior Fellow at the Center on Budget and Policy Priorities, provided evidence that supply-side economics results in reduced revenue for the government, and does not create the economic growth its supporters claim.

At the “[Is Our Complex Code Too Taxing on the Economy?](#)” hearing, called to examine whether the current IRS tax code puts an onerous burden on individuals and small businesses through needless complexity, conservative witnesses advocated simplifying the tax code through a reduction in the number of tax brackets and a lower overall tax rate for corporations.

In her opening statement, Congresswoman Maloney said, “Many conservatives claim these simplification plans that translate into huge tax cuts for the wealthy won’t increase deficits and won’t affect the government services that many Americans believe are necessary. The theory is that ‘tax cuts pay for themselves’ – in other words, cutting taxes can translate into such massive economic growth that it leads to higher government revenues. But this math simply does not add up.”

“Despite tax increases under President Bill Clinton, we had a booming economy, and created more than 22 million private-sector jobs, and four straight years of budget surpluses,” she continued. “And then we had two tax cuts under former President George Bush which contributed to massive budget deficits, with the tax cuts by themselves adding, according to some economists, \$1.5 trillion to deficits over ten years.” Congresswoman Maloney’s opening statement can be viewed [here](#).

In his testimony, Dr. Bernstein [produced charts](#) showing there is no correlation between cutting the top marginal tax rate and increases in employment, investment growth, productivity growth, real per capita GDP, or real median income growth “Fairness, simplicity, and revenue raising are often complementary,” Dr. Bernstein testified. “What makes our system so complex are the exemptions, deductions, privileges for certain types of incomes and activities, and other

loopholes that often allow wealthy and businesses flush with tax lawyers to pay less than their fair share.”

“The complications of the tax code are simply not driven by the number of rates,” Dr. Bernstein replied to a question from Congresswoman Maloney. “The complications are driven by all the different definitions of income – the exemptions, the incentives to defer income overseas, to finance investments with debt versus equity, to defer foreign earnings, and so on. That wouldn’t change one whit if filers had one rate as opposed to three or as opposed to twelve. I asked a tax accountant about this – she called it ‘gut-busting laughable’ that somehow reducing the number of rates would make a difference if you left all these other complexities in place.”

Dr. Bernstein’s opening statement can be viewed [here](#).

“When we talk about making the tax code less complex, let’s not be fooled by claims that we simply need to ‘flatten’ the code,” Rep. Maloney added. “This will make it more regressive, shifting more of the tax burden onto the middle class and the poor. And let’s not continue to pretend that ‘tax cuts pay for themselves.’ History has shown that they do not.”

The hearing can be viewed in its entirety [here](#).

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